The Church of Scotland Investors Trust
Constituted by Act of Parliament 1994

121 GEORGE STREET EDINBURGH EH2 4YN
0131-225-5722
e-mail: investorstrust@churchofscotland.org.uk

Church of Scotland – Deposit Fund Factsheet
Q4 2024

After an initial run-up on the back of Donald Trump's election victory in early November, markets subsequently gave back some of those gains as the year drew to a close. The principal cause was an increasingly hawkish US Federal Reserve, which cut interest rates at their December meeting (taking their total cuts for the year to 100 basis points), however, they also signalled a much shallower trajectory of cuts in their updated 2025 forecasts. This resulted in one of the worst daily declines in the S&P 500 on a scheduled FOMC decision day on record. Longer-dated bond yields also rose sharply on the news.

The initial market enthusiasm around Trump's campaign promises may end up being a double-edged sword, with the Federal Reserve choosing to sit on its hands, partly due to a robust economy, but also fears of resurgent inflation pressures brought about by his pledges. Interest rate futures have now fallen into line with the Fed' projections, with less than 50 basis points of easing currently priced in for 2025 (compared to roughly 175bps when the Fed first embarked on its rate cutting cycle). Elsewhere, the year finished with further political instability in Europe, with a successful no-confidence vote leading to the ousting of Michel Barnier's government. French assets further underperformed their German counterparts, with French-German yield spreads at their highest since the Eurozone crisis. The French 10-year yield even finished the year higher than their Greek equivalent. Sentiment in the UK economy was also poor going into year-end, with companies increasingly warning of cost pressures brought about by Labour's tax-raising budget and the knock-on effects it may have on growth.

All-in-all though, it was another stellar year for risk assets, despite the underwhelming end to the year. US economic exceptionalism continued and US equities posted back-to-back twenty-plus percent annual gains for the first time since the late nineties. Global equities were down fractionally in Q4 (-0.1%) but returned +19.2% on the year. The best performers in Q4 were the US (S&P +2.4%) and Japan (Nikkei +5.3%). This capped off a very strong year for these two equity regions, with returns of +25% and +21.3% respectively. UK and European equities posted solid if unspectacular returns. A weak Q4 for European equities (-3.6%) helped UK equities outperform slightly on the year (FTSE All-Share return was +9.5% versus +8.1% for the MSCI Europe Ex-UK). Asian and emerging markets equities were on course for a good year, however, a strong US Dollar and Donald Trump's tariff threats meant that Q4 was a torrid time for them (both down by around -7.5%). For the year, Asian equities returned a respectable +12.5% and emerging market equities a somewhat less impressive +8.1%. In terms of style returns, it was another year of strong outperformance by growth stocks, which clocked up a gain of +26.2%, 4 powered by huge returns from the Magnificent Seven, which were up +67% on the year. Global small caps underperformed large caps once more, with a return of 8.6%. Despite further central bank rate cuts towards the end of the year, bond returns were generally negative in Q4. Gilts and US Treasuries sold-off, returning -3.5% and -3.3% respectively. European sovereign bonds fared better, but still fell slightly (-0.2%). For the year, US Treasuries and Eurozone sovereigns produced modestly positive returns (+0.5% and +1.8% respectively). A poorly received budget and a central bank reluctant to cut rates meant that Gilt returns remained in negative territory for the year (-4%).

For commodities, Q4 was a fairly quiet period on aggregate, with the broad CRB Index returning -0.7%. With this group, oil was a notable gainer, with WTI and Brent up +5.2% and +4% respectively. Copper was a notable loser, with a return of -11.6% for the quarter. Gold was down slightly. For 2024, there was a modest gain of +5.1% at the index level. Gold had a stellar year (+27.2%), oil was relatively unchanged and copper was up modestly. Within currencies, the US Dollar had a turbo-charged end to the year, rallying hard on the back of the Trump presidential victory and a recalibration of future easing of monetary policy.

Extracted from Thomas Miller Investment Manager's Investment Report for The Church of Scotland Investors Trust Deposit Fund as at 31 December 2024

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A gain of +7.6% for the broad Dollar index in Q4 put it into positive territory for the year (+7.1%). The Japanese Yen was especially weak against the dollar, with a quarterly return of -8.6% and pushing it to a loss of -10.3% for the year. Sterling managed some appreciation against the Euro in Q4 (+0.6%) and for the year (+4.8%).

All figures quoted are local currency returns (and USD returns for commodities).

FUND HIGHLIGHTS

- Total Fund = £ 138 million (as at 31st December 2024)
- Invested with 7 Financial Institutions
    - £63.5 million maturing within 3 months
    - £44.5 million maturing within 4 to 6 months
    - £30.0 million maturing over 6 months

PLEASE NOTE: *Deposits taken by the Deposit Fund are exempted from the Financial Services and Markets Act 2000, by virtue of the Financial Services and Markets Act 2000 (Exemption) Order 2001.Investments in the Growth and Income Funds and deposits in the Deposit Fund are* ***NOT*** *covered by the Financial Services Compensation Scheme.*